

Message Text

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63

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 CEA-01 COME-00 EB-07 EA-06 FRB-03

IO-10 NEA-09 OPIC-03 TRSE-00 CIEP-01 LAB-04 SIL-01

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FM AMEMBASSY LONDON
TO SECSTATE WASHDC 7732
INFO AMEMBASSY BONN
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PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, UK

SUBJECT: EMMINGER SPEECH ON PETRODOLLARS

BEGIN UNCLASSIFIED

1. U.K. PRESS REPORTS SUMMARY OF OTMAR EMMINGER, VICE
PRESIDENT OF GERMAN BUNDESBANK, SPEECH IN LONDON, JANUARY
28, BEFORE CHATHAM HOUSE. ACCORDING PRESS, EMMINGER WAS
SHARPLY CRITICAL OF U.S. POLICY ON IMF RECYCLING FACILITY,
WHICH SHOULD HAVE BEEN LARGER. ALTERNATIVE KISSIN-
GER PLAN WAS NOT FOR RECYCLING. BUT FOR "RESHUFFLING"
THUS NOT SO EFFECTIVE IN MEETING THE NEEDS OF COUNTRIES
WHICH RECEIVED OPEC INVESTMENTS IN EXCESS OF THEIR BAL-
ANCE OF PAYMENTS NEEDS. THE PERIOD IN WHICH COUNTRIES
COULD EXPECT TO FINANCE UNAVOIDABLE OIL DEFICITS BY
FOREIGN BORROWING WOULD BE MUCH SHORTER THAN MANY SUPPOSED

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IT WAS IMPORTANT THAT BORROWERS INSURE TRANSITIONAL BOR-

ROWING BE USED TO FINANCE PRODUCTIVE INVESTMENT RATHER THAN UNSUSTAINABLE CONSUMPTION AND GOVERNMENT BUDGET DEFICITS. PRESS VIEWED THIS COMMENT AS THINLY VEILED CRITICISMS OF BRITISH AND ITALIAN POLICIES.

2. CONTRIBUTION WHICH COULD BE MADE BY BANKING SYSTEM WAS BOUND TO DIMINISH. WESTERN CENTRAL BANKS SUPERVISION OF EUROCURRENCY MARKET DID NOT IMPLY WILLINGNESS TO SUPPORT UNSOUND BANKING PRACTICES; BANKS OVEREXTENDED THROUGH MISMANAGEMENT MUST TAKE THE CONSEQUENCES.

3. LOOKING AHEAD, BY 1980 OR SO, IF OIL PRICES ARE NOT INCREASED FURTHER IN REAL TERMS AND ASSUMING REASONABLE ENERGY SAVING POLICIES, GLOBAL EQUILIBRIUM ON CURRENT ACCOUNT MAY BE OBTAINABLE. EMMINGER SAID HE FAVORED A JOINTLY MANAGED MULTINATIONAL INVESTMENT INSTITUTION FOR LONG TERM OPEC INVESTMENT IN REAL ASSETS IN DEVELOPED COUNTRIES. THIS MIGHT BE ON AGENDA OF FUTURE TALKS BETWEEN PRODUCERS AND CONSUMERS.

4. EMBASSY IS ATTEMPTING TO OBTAIN FULL TEXT OF SPEECH FROM CHATHAM HOUSE. IF AVAILABLE, WILL FORWARD COPIES TO WASHINGTON AND BONN. END UNCLASSIFIED.

BEGIN LIMITED OFFICIAL USE 5. BANK OF ENGLAND OFFICIALS WHO ATTENDED SESSION REPORT THEY HEARD NOTHING NEW, NOT ALREADY HEARD FROM EMMINGER IN WASHINGTON EITHER AT WP-3 OR C-20 SESSIONS. ONE LIKENED HIS POSITION ON OECD SAFETY NET PROPOSAL AS AGREEING WITH IT, PROVIDED IT IS SPREAD ON THE GYMNASIUM FLOOR RATHER THAN ABOVE IT. END LOU

SPIERS

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